

## Message Text

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ACTION EB-11

INFO OCT-01 ISO-00 EUR-25 AF-10 NEA-10 COME-00 TRSE-00

OMB-01 SCEM-02 SCI-06 CIEP-02 STR-08 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 ACDA-19 IO-14 INT-08

DRC-01 /195 W

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R 031500Z DEC 73

FM AMEMBASSY LISBON

TO SECSTATE WASHDC 8815

INFO AMEMBASSY LONDON

AMCONSUL LOURENCO MARQUES

AMCONSUL LUANDA

C O N F I D E N T I A L LISBON 4407

E.O. 11652: GDS

TAGS: ENRG, PO

SUBJECT: OIL SUPPLIES FOR PORTUGAL.

SUMMARY: GOP HAS ASKED GULF IN 1974 TO SUPPLY THE TWO NATIONAL COMPANIES OPERATING IN METROPOLITAN PORTUGAL WITH 4.3 MILLION TONS OF CRUDE, THE INTERNATIONALS BEING REQUIRED TO BRING IN THEIR OWN CRUDE (EQUIVALENT TO THEIR DISTRIBUTION OF PRODUCT). GOP ALSO WANTS GULF TO SUPPLY UP TO ONE MILLION TONS TO AFRICA, ALMOST ALL TO MOZAMBIQUE. GULF HAS AGREED TO COOPERATE BUT HOPES GOP WILL EASE MATTERS BY REDUCING AMOUNTS REQUESTED AND BY CALLING ON OTHER INTERNATIONALS TO ASSUME PART OF THE BURDEN. WITH RESPECT TO REFINED PRODUCTS ANGOLA PRESENTS NEW PROBLEM. FOR FIRST TIME DISTRIBUTING COMPANIES THERE, WHOSE REFINING CAPACITY ELSEWHERE IS ALREADY COMMITTED, ARE BEING ASKED TO PROVIDE OWN REFINED PRODUCTS ABOVE LOCAL REFINERY PRODUCTION OR BE DENIED DISTRIBUTION RIGHTS. END SUMMARY

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1. IN CONVERSATION WITH AMBASSADOR VASCO GARIN, ADMINISTRATOR

OF CABINDA GULF OIL COMPANY, HE REVEALED THAT GULF EASTERN HEMISPHERE PRESIDENT WILLIE BASED IN LONDON VISITED LISBON NOVEMBER 29 FOR CONSULTATIONS WITH OVERSEAS MINISTER REBELO DE SOUSA AND MINISTER OF FINANCE AND ECONOMY COTTA DIAS. GOP IS LOOKING TO GULF TO PROVIDE 4.3 MILLION TONS OF CRUDE TO METROPOLITAN PORTUGAL AND UP TO ONE MILLION TONS TO PORTUGUESE AFRICA (WHICH MEANS MOSTLY TO MOZAMBIQUE SINCE ANGOLA DOES NOT NEED CRUDE AND REQUIREMENTS ELSEWHERE ARE SMALL). THE 4.3 MILLION TONS FOR PORTUGAL WOULD SATISFY REQUIREMENTS OF PORTUGUESE NATIONAL COMPANIES, SACOR AND SONAP, SINCE OTHER DISTRIBUTORS ARE EXPECTED TO PROVIDE OVER ONE MILLION TONS OF CRUDE TO BE REFINED BY THE SACOR REFINERY FOR THEIR OWN DISTRIBUTION.

2. THE GULF OFFICIALS ACKNOWLEDGED THAT GULF HAS SPECIAL OBLIGATION TOWARD PORTUGAL AND PROMISED THAT THEY WOULD DO THEIR BEST TO SUPPLY CRUDE TO PORTUGAL. THEY ALSO AGREED TO DO THEIR BEST TO EXCHANGE CABINDA CRUDE FOR CRUDE MORE SUITABLE FOR PORTUGUESE MARKET. HOWEVER, THEY URGED THE PORTUGUESE, WHOSE FIGURES PRESUPPOSED A 20 PERCENT INCREASE IN CONSUMPTION OVER 1972, TO COOPERATE TO THE EXTENT OF RESTRICTING CONSUMPTION TO AT LEAST 5 PERCENT BELOW 1972. FEARFUL OF POSSIBLE ARAB (ESPECIALLY KUWAIT) REPRISALS AGAINST GULF, THEY URGED THE GOP TO STOP ALL PUBLICITY OF THE GULF ROLE IN ALLEVIATING PORTUGAL'S OIL SUPPLY PROBLEM. THEY ALSO URGED THAT OTHER INTERNATIONAL COMPANIES DISTRIBUTING IN PORTUGAL SHOULD BE ASKED TO ASSIST IN MEETING PORTUGAL'S OIL SHORT-FALL. GULF SHOULD NOT BE ASKED TO CARRY THE FULL BURDEN.

3. IN EFFECT, THE CURRENT UNDERSTANDING BETWEEN GULF AND THE GOP IS NOT BASED ON THE CONTRACT CLAUSES ENABLING PORTUGAL TO RECEIVE 50 PERCENT OF CABINDA GULF'S PRODUCTION. INDEED, WHAT THE GOP IS SEEKING FROM GULF WOULD BE WELL IN EXCESS OF 50 PERCENT OF THE CABINDA PRODUCTION. GULF INSISTED ON SELLING CRUDE AT CURRENT MARKET PRICES: OVERSEAS MINISTER READILY AGREED, HAVING IN MIND INCREASED TAXES FOR ANGOLA. FINANCE MINISTER UNHAPPY OVER PRICE, BUT GARIN THINKS THAT GOP WILL ACCEPT THOSE TERMS. GARIN SAID THAT WHILE THE GOP OFFICIALS AGREED TO PUT PRESSURE ON OTHER INTERNATIONAL COMPANIES, CONFIDENTIAL

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HE WAS NOT CONVINCED THEY WOULD AND GAVE AS HIS PERSONAL OPINION THAT GULF HAD LITTLE CHOICE BUT TO COMPLY WITH THE GOP REQUEST TO THE MAXIMUM EXTENT THEY COULD.

4. GARIN STATED THAT A SPECIAL PROBLEM IS PRESENTED BY ANGOLA. THE REFINED PRODUCTS CONSUMED IN ANGOLA ABOVE AND BEYOND THOSE PRODUCED BY THE PETRANGOL REFINERY IN LUANDA WERE PREVIOUSLY SUPPLIED BY FINA ACTING AS AGENT OF THE

PROVINCIAL GOVERNMENT. PRIOR TO THE OUTBREAK OF THE MIDDLE EAST WAR, THE ANGOLAN GOVERNMENT HAD REJECTED AS BEING TOO EXPENSIVE A YEAR'S CONTRACT PRESENTED TO THEM BY FINA. SUBSEQUENTLY THEY THEY ALSO REJECTED A SHELL PROPOSAL FOR THE SAME REASON. NOW THEY WERE ASKING ALL OF THE DISTRIBUTORS TO PROVIDE THEIR OWN REFINED PRODUCTS ABOVE THE LOCAL REFINERY PRODUCTION OR BE DENIED DISTRIBUTION RIGHTS. THIS PLACES THE DISTRIBUTING COMPANIES IN A BIND SINCE COUNTRIES WHERE THEY NOW HAVE REFINING CAPACITY ARE PERMITTING THEM TO CONTINUE TO EXPORT REFINED PRODUCTS BUT AT A REDUCED LEVEL AND ONLY TO TRADITIONAL CUSTOMERS. SINCE ANGOLA IS NOT A TRADITIONAL CUSTOMER (FINA HAVING PRESUMABLY SUPPLIED FROM ARAB SOURCES), IT IS DIFFICULT TO SEE WHERE THE DISTRIBUTING COUNTRIES WILL BE ABLE TO FIND REFINED PRODUCTS.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, TRADE CONTROLS, PETROLEUM REFINING  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 DEC 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973LISBON04407  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** n/a  
**From:** LISBON  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1973/newtext/t19731249/aaaabkkm.tel  
**Line Count:** 130  
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**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
**Previous Channel Indicators:**  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 25 SEP 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <25-Sep-2001 by rowellE0>; APPROVED <28-Nov-2001 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OIL SUPPLIES FOR PORTUGAL. SUMMARY: GOP HAS ASKED GULF IN 1974 TO SUPPLY THE TWO  
**TAGS:** ENRG, PO  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005